

COMPTON UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 1998, through June 30, 2001



STEVE WESTLY
California State Controller

August 2003



STEVE WESTLY
California State Controller

August 6, 2003

Jesse L. Gonzales, Ph.D.
Superintendent
Compton Unified School District
640 South Tamarind Avenue
Compton, CA 90220

Dear Dr. Gonzales:

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2001.

The district claimed \$615,945 for the mandated program. Our audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$497,865. The total amount paid should be returned to the State.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

WALTER BARNES
Chief Deputy State Controller, Finance

WB:ams

cc: (See Page 2)

cc: Teresa A. Santamaria

Associate Superintendent
Business and Administrative Services
Compton Unified School District

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Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2001. The last day of fieldwork was February 14, 2003.

The district claimed \$615,945 for the mandated program. The audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$497,865. Consequently, the total amount paid should be returned to the State.

Background

In 1983, the State enacted Chapter 498, Statutes of 1983, requiring that special notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

The legislation requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of: (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

In addition, the legislation requires the district to inform the parent or guardian of: (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts and county offices of education reimbursable under *Government Code* Section 17561.

The *Parameters and Guidelines* adopted by the Commission on State Mandates establish the state mandate and define criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies to claim reimbursable costs.

Objective, Scope, and Methodology

The objective of the audit was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983), for the period of July 1, 1998, through June 30, 2001.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the Findings and Recommendations section of this report and in the accompanying Summary of Program Costs (Schedule 1).

For the audit period, the district claimed \$615,945 and was paid \$497,865 for costs of the legislatively mandated Notification of Truancy Program. The audit disclosed that none of the claimed costs is allowable; therefore, \$615,945 is unallowable.

For fiscal year (FY) 1998-99, the district was paid \$173,546 by the State. The audit disclosed that none of the costs is allowable; therefore, \$173,546 should be returned to the State.

For FY 1999-2000, the district was paid \$180,123 by the State. The audit disclosed that none of the costs is allowable; therefore, \$180,123 should be returned to the State.

For FY 2000-01, the district was paid \$144,196 by the State. The audit disclosed that none of the costs is allowable; therefore, \$144,196 should be returned to the State.

**Views of
Responsible
Official**

The SCO issued a draft audit report on April 30, 2003. Teresa Santamaria, Associate Superintendent, responded by the attached letter dated June 6, 2003, disagreeing with the audit results presented in Finding 1 and agreeing to not contest the audit results presented in Finding 2. The district's response is included in this final audit report.

Restricted Use

This report is solely for the information and use of the Compton Unified School District, the Los Angeles County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Findings and Recommendations

FINDING 1— Overclaimed number of initial truancy notification forms distributed

The district claimed costs for initial truancy notification forms distributed to (truant) pupils that were not supported, totaling \$610,071 during the audit period. This amount is net of the ineligible activities claimed for independent study students discussed in Finding 2.

The district identified the total number of initial truancy notification forms claimed by school sites, but was unable to reconcile those amounts to pupils who were truant. Consequently, the auditor used the district's CTEP02/03 reports to identify the population of the initial truanies. The district was unable to explain the difference between the notifications claimed and the total initial truanies identified on its accounting records. The variances for these pupils are as follows:

	Audit Adjustment			
	Fiscal Year			
	1998-99	1999-2000	2000-01	Total
Supported truancies	14,560	17,910	20,077	52,547
Claimed truancies	<u>(14,562)</u>	<u>(14,509)</u>	<u>(20,601)</u>	<u>(49,672)</u>
Difference	<u>(2)</u>	<u>3,401</u>	<u>(524)</u>	<u>2,875</u>

From the total population of supported truanies each year, the auditor selected a statistical sample based on a 95% confidence level with a precision rate of +/-8% and an expected error rate of 50% or greater.

For FY 1998-99, the auditor randomly sampled 163 initial truanies from a population of 14,560. The district did not provide documentation to support the existence of any of the 163 notifications. Consequently, the auditor was unable to verify that any such notifications contained the five specified elements required by the *Parameters and Guidelines*.

For FY 1999-2000, the auditor randomly sampled 179 initial truanies from a population of 17,910. The district provided support for only three letters distributed to the pupils' parents or guardians. However, those letters contained only two of the five required elements. Furthermore, the district did not provide documentation to support the existence of any of the remaining 176 notifications.

For FY 2000-01, the auditor randomly selected 170 initial truanies from a population of 20,077. The district provided support for only seven letters distributed to the pupils' parents or guardians. However, those letters did not contain the five required elements. Two of the letters contained only one required element while five of the letters contained only two required elements. Furthermore, the district did not provide documentation to support the existence of any of the remaining 163 notifications.

Consequently, the following initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are unallowable:

	Audit Adjustment		
	Fiscal Year		
	1998-99	1999-2000	2000-01
			Total
Initial truancy notifications claimed	(14,562)	(14,509)	(20,601)
Uniform cost allowance	\$ 11.70	\$ 12.23	\$ 12.73
Totals	\$ (170,375)	\$ (177,445)	\$ (262,251)

The current Associate Superintendent of Business and Administrative Services and the Senior Director for Pupil Services (who were not employed by the district during the period of audit) were unable to provide any documentation supporting the truanies claimed.

School sites reviewed consisted of 10 sites in FY 1998-99 and FY 1999-2000 and 11 sites in FY 2000-01. Attendance clerks at the school sites sampled provided various explanations for the unsupported number of truanies claimed as follows:

- .. At two elementary schools, the attendance clerks stated that notifications were not distributed to a pupil's parent or guardian during the audit period;
- .. At an alternative school, an attendance clerk stated that the school did not send out notifications during FY 1999-2000 because the district's attendance reporting system crashed;
- .. At one of the high schools, an attendance clerk stated that the high school facility where records were stored suffered a fire that destroyed the records;
- .. At two elementary schools, the attendance clerks stated that they were not the attendance clerks or administrator during the audit period and, therefore, were unable to locate the records; and
- .. At a middle school, an attendance clerk stated that parents or guardians were contacted through other means such by telephone and home visits rather than notification letters sent to the parents or guardians. However, no documentation was provided to support this statement.

The auditor reviewed telephone logs and attendance records (even though they are not acceptable in validating the claim) to gain an understanding of the district's process of notifying a pupil's parent or guardian of the required five elements. These records did not support that the required elements were discussed with the pupil's parent or guardian. Furthermore, *Parameters and Guidelines* requires the district to document the five specified elements on the form that is distributed to the pupil's parent or guardian.

Parameters and Guidelines, adopted by the State Board of Control on November 29, 1984, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to the pupil's parent or guardian contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1984 (effective January 1, 1995), to require eight specified elements. However, since the *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

Parameters and Guidelines, Section I., requires "... school districts, upon the pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means, of (1) the pupil truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27." Furthermore, the guideline states, "... district must inform parents and guardians of (1) alternative education programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy."

Parameters and Guidelines, Section V.A., states, "The eligible claimant shall be reimbursed for only those costs incurred for ... the printing and distribution of notification forms. ..."

Parameters and Guidelines, Section V.B.1., states that the claimant shall be reimbursed for "Planning the method of implementation, revising school district policies, and designing and printing the forms."

Parameters and Guidelines, Section V.B.2., states that the claimant shall be reimbursed for "Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. ..."

Parameters and Guidelines, Section V.C., states, "The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator."

Parameters and Guidelines, Section VII., states, "For audit purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. ..."

Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that initial truancy notifications claimed are supported and contain all required elements. Although *Parameters and Guidelines* allows the district to be reimbursed for notification forms containing only five specified elements, the district should comply with *Education Code* Section 48260.5, which requires the form to contain eight specified elements.

District's Response

There are major differences between the SCO and the District with regard to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The parameters and guidelines indicate first class mail or other means. This opens the interpretation to include methods other than first-class mail, which may include telephone or home visit. However, SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review the SCO believes they cannot verify and count the notification.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. The District was able to supply the SCO a listing of notifications for the claim for each year being reviewed.

Site visits by the SCO did not indicate that the notification of truancy information was not distributed; it just indicates that letters were not available. Letters are not required as sole proof per the parameter and guidelines. It cannot be inferred, by talking to the current office personnel at the school site, that the District was not in compliance in prior years.

The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

SCO's Comment

The finding and recommendation remain unchanged.

The district did not provide any additional documentation to support the unallowable costs. The following SCO comments are presented in the order presented in the district's response.

The SCO did not limit the notification method to first-class mail. Instead, the SCO allowed notification forms (letters) distributed by other reasonable means, such as certified mail, overnight mail, etc.

Parameters and Guidelines, Sections V.A., V.B.1, and V.B.2., allows a district to be reimbursed a specified amount for every initial truancy notification form (letter) distributed to a pupil's parent or guardian that contains five specified elements identified in the *Parameters and Guidelines*.

Telephone calls and home visits are not reimbursable activities. Nevertheless, the SCO auditors reviewed telephone logs, attendance records, and other records to gain an understanding of the district's process of notifying a pupil's parent or guardian of the five required elements. The review of these records did not support that the required elements were discussed with a pupil's parent or guardian.

In reference to the listings of notification forms, the district identified the total number of initial truancy notification forms claimed by school site, but was unable to reconcile those amounts to students who were truant. Consequently, the SCO used the district's CTEP02/03 reports to identify the population of the initial truanies. The district was unable to explain the differences between the notifications claimed and the total initial truanies identified in its accounting records.

The SCO auditor selected a statistical sample from the total population of supported truanies for each year based on a 95% confidence level with a precision rate of +/-8% and an expected error rate of 50% or greater. The above method presented a representative sample of the total population for each year.

**FINDING 2—
Ineligible costs claimed
for independent study
students**

The district claimed costs for initial truancy notifications for independent study students, totaling \$5,874 during the audit period, which are ineligible. Independent study students are under an alternative study program and, therefore, cannot be considered truant. District staff members were unable to explain why these students were claimed for this mandated cost program.

Consequently, the following initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are unallowable:

	Audit Adjustment		
	Fiscal Year		
	1998-99	1999-2000	2000-01
			Total
Initial truancy notifications claimed	(271)	(219)	(2)
Uniform cost allowance	\$ 11.70	\$ 12.23	\$ 12.73
Totals	\$ (3,171)	\$ (2,678)	\$ (25)
			\$ (5,874)

Parameters and Guidelines, Section V.B.2., states that the claimant shall be reimbursed for "Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . ."

California Code of Regulations, Title 5, Section 11700(a), states that "Independent Study" means an alternative to classroom instruction consistent with the district's course of study. Consequently, independent study students cannot be considered truant.

Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that it claims only eligible costs.

District's Response

The District will not contest this finding.

Schedule 1— Summary of Program Costs July 1, 1998, through June 30, 2001

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference¹</u>
<u>July 1, 1998, through June 30, 1999</u>				
Number of initial truancy notifications	14,833	—	(14,833)	Findings 1, 2
Uniform cost allowance	<u>\$ 11.70</u>	<u>\$ 11.70</u>	<u>\$ 11.70</u>	
Total costs	<u>\$ 173,546</u>	—	<u>\$(173,546)</u>	
Less amount paid by the State		<u>(173,546)</u>		
Amount paid in excess of allowable costs claimed		<u>\$ 173,546</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Number of initial truancy notifications	14,728	—	(14,728)	Findings 1, 2
Uniform cost allowance	<u>\$ 12.23</u>	<u>\$ 12.23</u>	<u>\$ 12.23</u>	
Total costs	<u>\$ 180,123</u>	—	<u>\$(180,123)</u>	
Less amount paid by the State		<u>(180,123)</u>		
Amount paid in excess of allowable costs claimed		<u>\$ 180,123</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial truancy notifications	20,603	—	(20,603)	Findings 1, 2
Uniform cost allowance	<u>\$ 12.73</u>	<u>\$ 12.73</u>	<u>\$ 12.73</u>	
Total costs	<u>\$ 262,276</u>	—	<u>\$(262,276)</u>	
Less amount paid by the State		<u>(144,196)</u>		
Amount paid in excess of allowable costs claimed		<u>\$ 144,196</u>		
<u>Summary: July 1, 1998, through June 30, 2001</u>				
Total costs	<u>\$ 615,945</u>	\$ —	<u>\$(615,945)</u>	
Less amount paid by the State		<u>(497,865)</u>		
Amount paid in excess of allowable costs claimed		<u>\$ 497,865</u>		

¹ See the Findings and Recommendations section.

**Attachment—
District's Response to
Draft Audit Report**



June 6, 2003



FAXED
6/9/03

Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874

**RE: Response to Draft Audit Report
(Notification of Truancy FY 1998-2001)**

Dear Mr. Spano:

We have received the draft report of your audit on claims filed by the Compton Unified School District (District) relating to the mandated Notification Truancy Program for the period of July 1, 1998 to June 30, 2001.

The district claimed \$615,945 for the mandate program. The audit disclosed that none of the claimed costs were allowable. The SCO stated in the report that the unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. This disallowance is based on two audit findings.

Finding 1 – Unsupported initial truancy notification forms for a total cost of \$610,071.

There are major differences between the SCO and the District with regard to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The parameters and guidelines indicate first class mail or other means. This opens the interpretation to include methods other than first-class mail, which may include telephone or home visit. However, SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review the SCO believes they cannot verify and count the notification.

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Response to Audit Report
June 6, 2003

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII,A) the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. The District was able to supply the SCO a listing of notifications for the claim for each year being reviewed.

Site visits by the SCO did not indicate that the notification of truancy information was not distributed; it just indicates that letters were not available. Letters are not required as sole proof per the parameter and guidelines. It cannot be inferred, by talking to the current office personnel at the school site, that the District was not in compliance in prior years.

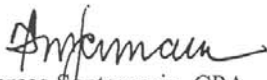
The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

Finding 2- Ineligible costs claimed for independent study students, \$5,874.

The District will not contest this finding.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

Sincerely,



Teresa Santamaria, CPA
Associate Superintendent
Business and Administrative Services

xc: Jesse Gonzales, CUSD
Art Luna, SCO
John Conshafter, MCS Education Services

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>